

(The text of the amendment is printed in today's RECORD under "Amendments Submitted.")

Mr. DODD. Mr. President. I rise today in strong support for passage of S. 318, the Homeowners Protection Act of 1997. This important consumer legislation would end the odious practice of forcing hundreds of thousands of homeowners to pay for private mortgage insurance long after they, or their lender, cease to derive any benefit from it.

Private mortgage insurance—or PMI as it's known—has played a very important role in expanding homeownership opportunities for people who have had less than the traditional 20 percent downpayment that many lenders required. In the event of a default, the PMI provides insurance to the lender for the difference between the downpayment and 20 percent or, in rare instances, some other predetermined percentage—equity level. This is also known as an 80 percent loan-to-value ratio.

As beneficial as PMI has been, it has also developed some less savory characteristics. Principally, the problem with PMI as it exists today is that it is virtually impossible for a homeowner to stop making the premium payments, even after the PMI no longer provides any protection. As a result, literally hundreds of thousands of homeowners pay as much as \$1,200 a year in unfair and unnecessary payments.

Mr. President, this legislation would change all that in a fair and simple way. First, the bill provides simple and meaningful disclosure to the borrower at the time of the mortgage closing, so that the borrower understands when and how they can cancel their PMI. In fact, the borrower receives an amortization table that gives them a date certain when they may voluntarily cancel the PMI and a date certain when the PMI will be automatically canceled. Second, the bill requires the mortgage servicer to provide annual notices to the homeowner and then to let the homeowner know that they've reached 80 percent loan-to-value ratio, based upon the original amortization table, and therefore, the homeowner may have the right to cancel. Third, the bill provides that for the vast majority of homeowners, their PMI will be automatically canceled at 78 percent loan-to-value ratio, based upon the original amortization table. Lastly, there are some very, very narrow exceptions for high-risk loans that allow the continuation of PMI to the halflife of the loan.

Let me put it more simply, Mr. President: for the overwhelming majority of homeowners, when you've got 20 percent equity in your home, you have the right to initiate cancellation of your PMI. If you choose not to initiate the cancellation, your PMI will be automatically canceled at 22 percent equity. It's that simple. And the result of these reforms will save hundreds of thousands of homeowners as much as \$1,200 a year.

As easy as the problem was to identify, it was a complicated and difficult

process to achieve this legislative remedy. I particularly wish to acknowledge the outstanding work of Chairman D'AMATO, with whom I joined in this effort back in February. I would also like to thank Senator SARBANES, Senator FAIRCLOTH, and Senator BENNETT for their tireless efforts to achieve a bill that serves the interest of consumers without inadvertently disrupting the mortgage lending industry.

I urge my colleagues to join me in passing this legislation.

Mr. FAIRCLOTH. Mr. President, I want to commend my colleagues on the Banking Committee for their tireless efforts to craft this piece of legislation so that the final bill can enjoy such broad bipartisan support. The Banking Committee has passed positive legislation to protect consumers and give them new rights for canceling private mortgage insurance.

Private mortgage insurance has been a great tool to increase homeownership. But there have been too many cases where people had trouble canceling the insurance long after it was needed. This bill gives consumers the opportunity to cancel their private mortgage insurance at 20-percent equity and requires automatic cancellation at 22-percent equity. S. 318 requires that homebuyers be informed about their right to cancel private mortgage insurance. It creates a national standard for cancellation that is clear and simple for consumers to understand. I believe it is a winner for all kinds of consumers.

When S. 318 was first introduced about 9 months ago many on the committee could not support it. It created unnecessary government mandates and controls on the entire mortgage industry by setting a bright line rule for cancellation. As a result, S. 318 as introduced, would have increased the cost of obtaining a low downpayment mortgage and would have put homeownership out of the reach for many families.

The version that was reported out of the committee, by a 16-to-1 vote on October 23, still provides consumers with important rights, but eliminates the Federal Government's role in the marketplace so that industry can continue to create innovative products for future homebuyers. Further, the bill provides meaningful limitations on class action lawsuits without stripping consumers of their enforcement mechanisms in the bill.

I believe that S. 318, as written today, is a good bill for consumers everywhere. Mortgage insurance is a valuable financial tool that allows people to get into homes years sooner than they would otherwise. But I do not want anyone to pay for it longer than it is needed. This bill gives consumers that protection.

Mr. SESSIONS. I ask unanimous consent that the amendment be considered as read and agreed to, the bill be considered as read a third time and passed as amended, the title amendment be

agreed to, the motion to reconsider be laid upon the table, and that any statements relating to the bill appear at this point in the RECORD.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment (No. 1623) was agreed to.

The bill (S. 318), as amended, was read the third time and passed.

The title was amended so as to read: A Bill to require automatic cancellation and notice of cancellation rights with respect to private mortgage insurance which is required as a condition for entering into a residential mortgage transaction, to abolish the Thrift Depositor Protection Oversight Board, and for other purposes.

CANCELLATION DISAPPROVAL ACT OF 1997

Mr. SESSIONS. Mr. President, I ask unanimous consent that the Senate proceed to the immediate consideration of Calendar No. 284, H.R. 2631.

The PRESIDING OFFICER. The clerk will report.

The legislative clerk read as follows:

A bill (H.R. 2631) disapproving the cancellations transmitted by the President on October 6, 1997 regarding public law 105-45.

The PRESIDING OFFICER. Is there objection to the immediate consideration of the bill?

There being no objection, the Senate proceeded to consider the bill.

Mr. SESSIONS. I ask unanimous consent that the bill be read three times, passed, and the motion to reconsider be laid upon the table, that any statements relating thereto be printed in the RECORD at the appropriate place.

The PRESIDING OFFICER. Without objection, it is so ordered.

The bill (H.R. 2631) was ordered to a third reading, was read the third time, and passed.

COMPREHENSIVE ONE-CALL NOTIFICATION ACT OF 1997

Mr. SESSIONS. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar No. 280, S. 1115.

The PRESIDING OFFICER. Without objection, it is so ordered. The clerk will report.

The legislative clerk read as follows:

A bill (S. 1115) to amend title 49, United States Code, to improve the one-call notification process, and for other purposes.

The Senate proceeded to consider the bill.

Mr. SESSIONS. Mr. President, I ask unanimous consent that the bill be considered read a third time and passed; that the motion to reconsider be laid upon the table; and that any statements relating to the bill appear at the appropriate place in the RECORD.

The PRESIDING OFFICER. Without objection, it is so ordered.

The bill (S. 1115) was read the third time and passed, as follows: